MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

BAC1834 – PRINCIPLES OF FINANCIAL ACCOUNTING

(All sections / Groups)

11 OCTOBER 2017
2.30 pm – 4.30 pm
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 7 pages excluding the cover page with:
   Section A: Twenty (20) multiple choice questions
   Section B: Three (3) structured questions

2. Attempt **ALL** questions. Marks are shown at the end of each question.

3. Answer **Section A** in the multiple choice answer sheet and answer **Section B** in the answer booklet provided.

SECTION A: MULTIPLE CHOICE QUESTIONS (20 MARKS)

There are **TWENTY (20)** questions in this section. Answer ALL questions on the **multiple choice answer sheet**.

1. A debit to an asset account indicates _____

   A. a decrease in the asset.
   B. an increase in the asset.
   C. a credit was made to a liability account.
   D. an error.

2. Which of the following transaction does not involve a revenue account?

   A. Sold RM10,000 laptop to a customer
   B. Performed service of RM7,000 on credit
   C. Received cash of RM10,000 from a client
   D. Purchased computer from IT Sdn. Bhd. RM25,000

3. The purpose of preparing a Financial Position is _____

   A. to show the balances of all the accounts in the ledgers
   B. to show the financial position of a business on a specific date
   C. to show total amount owing to creditors
   D. to show the amount of profit or loss for the business

4. The owner's equity of Thousands Miles Sdn Bhd. is RM220,000 at 31st December 2016 and is equal to three-fourths of total liabilities. What is the amount of total assets?

   A. RM55,000
   B. RM165,000
   C. RM385,000
   D. RM30,000

5. A journal entry contains a debit to an expense account and a credit to payable account. This is an example of a(an) _____

   A. deferred revenue
   B. deferred expense
   C. accrued revenue
   D. accrued expense

Continued...

6. Salaries incurred but unpaid at year-end would be classified on a financial statement as a(an) _____

   A. current asset
   B. current liability
   C. revenue
   D. expense

7. On 31st March 2017, Terus Usaha Sdn. Bhd. has to make an adjustment of salary for April paid on March. The transaction will be _____

   A. increase March salary account
   B. increase April salary account
   C. decrease March salary account
   D. no effect on salary account

8. At 1st February 2017, Terus Maju Sdn Bhd had an accounts payable balance of RM58,700. During the month, the company made purchases on credit of RM32,500 and made payments on credit of RM45,000. At 28th February 2017, the accounts payable balance is _____

   A. RM46,200.
   B. RM71,200.
   C. RM18,800.
   D. RM16,200.

9. Which of the following accounts would not be reported in the income statement as an expense?

   A. Income taxes expense
   B. Income expense
   C. Dividends expense
   D. Depreciation expense

10. Liabilities _____

   A. are future economic benefits.
   B. are existing debts and obligations.
   C. possess service potential.
   D. are things of value used by the business in its operation.

Continued...

11. The revenue recognition principle dictates that revenue should be recognized in the accounting records _____

A. when cash is received.
B. when it is earned.
C. at the end of the month.
D. in the period that income taxes are paid.

12. Under accrual-basis accounting _____

A. cash must be received before revenue is recognized.
B. net income is calculated by matching cash outflows against cash inflows.
C. events that change a company's financial statements are recognized in the period they occur rather than in the period in which cash is paid or received.
D. the ledger accounts must be adjusted to reflect a cash basis of accounting before financial statements are prepared under generally accepted accounting principles.

13. Cost of goods sold is determined only at the end of the accounting period in _____

A. a perpetual inventory system.
B. a periodic inventory system.
C. both a perpetual and a periodic inventory system.
D. neither a perpetual nor a periodic inventory system.

14. Which of the following expressions is *incorrect?*

A. Gross profit – operating expenses = net income
B. Sales revenue – cost of goods sold – operating expenses = net income
C. Net income + operating expenses = gross profit
D. Operating expenses – cost of goods sold = gross profit

15. Detailed records of goods held for resale are *not* maintained under a _____

A. perpetual inventory system.
B. periodic inventory system.
C. double entry accounting system.
D. single entry accounting system.

Continued...

16. Inventories affect _____

A. only the balance sheet.
B. only the income statement.
C. both the balance sheet and the income statement.
D. neither the balance sheet nor the income statement.

17. Beginning inventory plus the cost of goods purchased equals _____

A. cost of goods sold.
B. cost of goods available for sale.
C. net purchases.
D. total goods purchased.

18. Cost of goods sold is computed from the following equation:

A. beginning inventory – cost of goods purchased + ending inventory.
B. sales – cost of goods purchased + beginning inventory – ending inventory.
C. sales + gross profit – ending inventory + beginning inventory.
D. beginning inventory + cost of goods purchased – ending inventory.

19. A net loss will result during a time period when _____

A. liabilities exceed assets.
B. drawings exceed investments.
C. expenses exceed revenues.
D. revenues exceed expenses.

20. If total liabilities decreased by RM15,000 and owner's equity decreased by RM10,000 during a period of time, then total assets must change by what amount and direction during that same period?

A. RM25,000 decrease
B. RM5,000 decrease
C. RM5,000 increase
D. RM25,000 increase

[Total marks = 20 marks]

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SECTION B: STRUCTURED QUESTIONS (30 MARKS)

There are **THREE (3)** questions in this section. Candidates must answer ALL three questions in the **answer booklet**.

QUESTION 1 (10 MARKS)

Sammy commenced a laundry business, Cuci Bersih Dobi on 1st April 2017. The company started its business with cash of RM10,000, four units of washing machine costing RM28,000, four units of dryer that cost RM32,000 and also loan from CIM Bank for RM50,000.

During April 2017, Cuci Bersih Dobi earned revenue RM15,000 and had the following expenses:

	RM
Salaries	2,500
Rent	5,000
Utilities	3,200

On 20th April 2017, Sammy contributed an additional investment of RM15,000 cash. The accounts clerk, Siti, recorded transaction as an increase cash and revenue.

Required:

a) What was the owner's equity amount as at 1st April 2017?. **(2 marks)**

b) Calculate the net income (or net loss) for the month of April 2017. **(5 marks)**

c) Determine whether the transaction recorded for Sammy's additional investment is appropriate or not. Please justify your answer. **(3 marks)**

[Total marks = 10 marks]

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QUESTION 2 (10 MARKS)

SSE Sdn Bhd commenced its business on 1st January 2017. During the first month of operations, the following transactions occurred:

January

1	Made cash investment to start business RM35,000.
5	Paid monthly rent RM2,500 cash.
7	Purchased equipment on account RM18,000.
11	Billed customers for services performed RM 6,400.
18	Withdrew cash of RM2,000 for owner's personal use.
22	Received cash from customers billed in 11th January.
24	Incurred advertising expense on account RM2,750.
27	Paid salary of RM7,000 and utilities of RM1,200 cash.
31	Received cash of RM4,000 from customers when service was performed.

Required:

Prepare journal entries to record each of the above transaction. (Omit explanations)

[Total marks = 10 marks]

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QUESTION 3 (10 MARKS)

The following are unadjusted trial balance extracted from the book of Bumi Hijau Sdn. Bhd. as at 1st January 2016:

	DR (RM)	CR (RM)
Motor Vehicle (cost)	80,000	
Equipment (cost)	45,000	
Cash	55,000	
Inventory (1 January 2016)	23,900	
Accounts Receivable	18,500	
Prepaid insurance	12,200	
Accounts Payable		16,400
Bank Loan		10,000
Capital		100,000
Sales revenue		145,800
Salaries expenses	21,500	
Advertising expenses	16,100	
	272,200	**272,200**

The following adjustments need to be made on 31 December 2016:

i. Inventory is RM21,900.
ii. Sales revenue of RM8,500 has not been received.
iii. RM1,000 of the insurance is prepaid.
iv. RM450 of utilities charges have not been paid for the current year.
v. Interest on bank loan of RM125 has not been taken into account.
vi. Depreciation on motor vehicle and equipment are provided at RM8,000 and RM4,500 respectively.

Required:

a) Prepare an Income Statement for the year ended 31 December 2016.

(5 marks)

b) Prepare a Statement of Financial Position as at 31 December 2016.

(5 marks)

[Total marks = 10 marks]

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